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Private Sector Division work plan and proposed budget for 2004

Summary

The Executive Director presents the Private Sector Division (PSD) work plan and proposed budget for 2004.

In 2004, PSD plans to generate $424.0 million in net consolidated income, comprising $244.0 million for regular resources and $180.0 million for other resources. This will be achieved with expenditures of $89.0 million.

The formal decision to be made on the basis of the present document is the adoption of the draft resolutions relating to the budget proposal contained in paragraph 45.

* E/ICEF/2004/2.

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I. Overview

A. Introduction — 2003 outlook

1. The year 2003 was a good one for the Private Sector Division (PSD). On the business front, net consolidated income is expected to reach $389.7 million, which is 6 per cent higher than the 2002 actual net consolidated income, exclusive of the one-time Gaffé legacy of $56.2 million. On the organization front, it was the year of consolidation and stabilization following the restructuring process started in 2002.

2. The key PSD achievements in 2003 are projected as follows:

(a) An expected net consolidated income of $389.7 million;

(b) The global PSFR strategy is being implemented globally;

(c) The global marketing and sales strategy for cards and gifts has been finalized and is being rolled out globally;

(d) New Deputy Directors for Fund-raising and Marketing and Sales and other specialized staff, assumed their duties in Geneva. Under their leadership, a full delineation of duties and accountabilities within their teams was carried out. Additionally, some fine-tuning of the organizational structure has been completed to enhance accountabilities and cross-functional interaction;

(e) Profitability analysis for cards and gift products has become a standard criterion for making decisions on products;

(f) Service delivery to PSD sales partners was maintained, while costs were contained through effective inventory management;

(g) Collaboration between PSD, the Regional Office for Europe and National Committees for UNICEF has been further improved, leading to productive relationships with positive assessments of such various joint events as the 'think tank' meeting on fund-raising, the annual campaign meeting on sales and the Joint Strategic Planning (JSP) process.

B. 2004 objective

3. For 2004, the objective of PSD is to achieve net consolidated income of $424.0 million, which is 8.8 percent higher than the 2003 latest estimate. This net consolidated income comprises $244.0 million for regular resources (11 per cent higher than the 2003 latest estimate) and $180.0 million for other resources (5.9 per cent higher than the 2003 latest estimate). See tables 1 and 1A.

C. Consolidated income and expense projections for 2004

4. Two formats of the PSD income statement are included in the present work plan and budget document: table 1 - PSD income statement; and table 1A - net income after allocation of operating expenses by revenue-generating activity (management statement — supporting table 1).

5. Table 1 reflects PSD results contained in the financial report that is submitted to and noted by the Executive Board. This table is prepared in accordance with statutory requirements. Table 1A is a management statement showing PSD operating results of its two revenue-generating activities: sales and fund-raising. This statement presents the allocation of costs of both marketing and support services between sales and PSFR to measure the net contribution of each activity.

6. As indicated in table 1, PSD net consolidated income for 2004 is projected at $424.0 million ($244.0 million for regular resources and $180.0 for other resources), which is $34.3 million (8.8 per cent) higher than the 2003 latest estimates. The projected net consolidated income (regular resources) in 2004 of $244.0 million comprises net operating income from card and gift sales of $51.7 million and net operating income from PSFR of $208.7 million, offset by the cost of investment funds of $16.4 million to support fund-raising and sales initiatives.

7. As shown in table 1A, PSD net consolidated income from both revenue-generating activities for 2004 is projected at $424.0 million, compared with the 2003 latest estimates of $389.7 million. Of the total net consolidated income projected for 2004, 58 per cent ($244.0 million) will be for regular resources and 42 per cent ($180.0 million) for other resources.

8. As also seen from table 1A, 78 per cent ($189.3 million) of the regular resources income is attributable to PSFR activities, and 22 per cent ($54.7 million) to sales of cards and gifts.

9. In the area of PSFR, the net operating income (before investment funds) for regular resources for 2004 is projected at $202.3 million, compared with the 2003 latest estimate of $180.4 million (see table 1A). In addition, for 2004, $180.0 million of other resources income are projected, an increase of $10.0 million (5.9 per cent) over the 2003 latest estimates.

10. In the area of card and gift sales, for 2004, sales volume is projected at 134 million cards, and gross proceeds are projected at $142.0 million. This is an increase of 7 million in sales volume and $6.0 million in gross proceeds over the 2003 latest estimates. After allocating operating expenses to each revenue-generating activity, the net operating income from card and gift sales (before investment funds) for 2004 is projected at $58.1 million, compared with the 2003 latest estimate of $54.2 million (see table 1A).

11. Consolidated expenditures for 2004, as summarized in table 2, are projected at $89.0 million, which is $5.5 million (6.6 per cent) more than the 2003 latest estimates. This increase comprises higher operating expenses ($3.4 million), due primarily to:

(a) the strengthening (with financial and human resources) of necessary areas, both at headquarters and field offices;

(b) a larger PSD share of UNICEF common services, especially in Geneva;

(c) higher investment funds ($1.5 million) to implement the approved sales and fund-raising strategies and to meet the 2005 goal of $500.0 million in net contribution;

(d) higher cost of goods delivered ($0.5 million) due to a projected increase in sales volume as well as to the launch of the new Expanded Gift Line project;

(e) higher commissions ($0.1 million) in line with projected increases in sales at UNICEF field offices.

12. In accordance with Executive Board decision 2003/4 (E/ICEF/2003/9/Rev.1), paragraph 2, should the proceeds from card and gift sales and/or PSFR increase to the levels indicated in column III, table 7 of document E/ICEF/2003/AB/L.3, expenditures are also allowed to increase to the levels indicated in column III of the same table. Moreover, by the same decision, the Executive Board allowed UNICEF to spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2003 approved budget. As indicated in table 2, consolidated expenditures for 2003 are estimated at $83.5 million, which is $2.6 million, or 3 per cent, higher than the 2003 approved budget. This increase is explained by a mandatory rise in all costs at the PSD Geneva office due to the unfavourable 17-per-cent decline in the value of the United States dollar against the Swiss franc for the last year, from the budgeted rate of 1.56 (June 2002) to 1.30 (existing at the time of preparation of these estimates).

Human resources

13. The total number of posts will increase in 2004 by 12, from 193 to 205. The number of international Professional posts will increase by three (all at headquarters), and General Service posts will increase by nine (all at UNICEF field offices). This reflects a realignment/strengthening of functions at those field offices offering the opportunity for income growth.

Table 1. PSD income statement - 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget

(In millions of United States dollars)

	2002 Actual	%	2003 Approved Budget a/	%	2003 Latest estimates	%	2004 Proposed Budget	%	Variance 2004 vs. 2003 Latest estimates $	Variance 2004 vs. 2003 Latest estimates %
Gross proceeds - card and gift sales	125.9		134.0		136.0		142.0		6.0	4.4
Less: Retention/commissions and direct expenses at field offices	38.7	30.7	38.2	28.5	40.8	30.0	42.0	29.6	1.2	2.9
Net proceeds - card and gift sales	87.2		95.8		95.2		100.0		4.8	5.0
Less: Cost of goods delivered	24.4	19.4	29.7	22.2	30.0	22.1	30.5	21.5	0.5	1.7
Operating expenses	20.3	16.1	21.0	15.7	22.7	16.7	24.8	17.5	2.1	9.3
Provision for doubtful accounts	10.2		0.5		1.0		1.0		-	-
Add: Other income	5.5		7.0		6.5		8.0		1.5	23.1
Net operating income - card and gift sales	37.8	30.0	51.6	38.5	48.0	35.3	51.7	36.4	3.7	7.7
Net operating income - Private sector fund-raising	236.9	b/	156.5		186.6		208.7		22.1	11.8
Less: Investment funds	12.7		14.2		14.9		16.4		1.5	10.1
Total net operating income	262.0		195.9		219.7		244.0		24.3	11.1
Less: Exchange rate adjustment	(19.4)									
Net income - regular resources	281.4		195.9		219.7		244.0		24.3	11.1
Add: PSFR other resources	141.9		165.0		170.0		180.0		10.0	5.9
Net consolidated income	423.3		360.9		389.7		424.0		34.3	8.8
										%
Card sales volume (millions)	*114*		*134*		*127*		*130*		*3*	2.4

PSFR = private sector fund-raising

a/ As approved by the Executive Board (decision 2003/4, paragraph 2)

b/ The 2002 actual of 'net operating income - private sector fund-raising' includes $56.2 million of Gaffe legacy.

Table 1A Net income after allocation of operating expenses by revenue-generating activity 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget: Management statement - supporting table 1

(In millions of United States dollars)

	2002 Actual			2003 Approved budget			2003 Latest estimates			2004 Proposed budget		
	Card and gift sales	Private sector fund-raising	Total	Card and gift Sales	Private sector fund-raising	Total	Card and gift sales	Private sector fund-raising	Total	Card and gift Sales	Private sector fund-raising	Total
Gross proceeds	125.9		125.9	134.0		134.0	136.0		136.0	142.0		142.0
Less: Retention/commissions and direct expenses at field offices	38.7	-	38.7	38.2		38.2	40.8		40.8	42.0		42.0
Net proceeds	87.2	245.2	332.4	95.8	169.0	264.8	95.2	197.0	292.2	100.0	220.0	320.0
Less: Cost of goods delivered	24.4		24.4	29.7		29.7	30.0		30.0	30.5		30.5
	62.8	245.2	308.0	66.1	169.0	235.1	65.2	197.0	262.2	69.5	220.0	289.5
Less: Marketing expenses	4.5	8.4	12.9	5.1	10.5	15.6	5.7	10.5	16.2	6.2	11.3	17.5
	58.3	236.8	295.1	61.0	158.5	219.5	59.5	186.5	246.0	63.3	208.7	272.0
Less: Support services	10.7	5.0	15.7	10.7	5.2	15.9	11.3	5.8	16.9	12.7	5.9	18.6
Provision for doubtful accounts	1.7	8.5	10.2	0.5		0.5	0.5	0.5	1.0	0.5	0.5	1.0
	45.9	223.3	269.3	49.8	153.3	203.1	47.7	180.4	228.1	50.1	202.3	252.4
Add: Other income	5.5		5.5	7.0		7.0	6.5		6.5	8.0		8.0
Net operating income before investment funds	51.4	223.3	274.8	56.8	153.3	210.1	54.2	180.4	234.6	58.1	202.3	260.4
Less: Investment funds	1.5	11.2	12.7	3.4	10.8	14.2	3.3	11.6	14.9	3.4	13.0	16.4
Total net operating income	49.9	212.1	262.0	53.4	142.5	195.9	50.9	168.8	219.7	54.7	189.3	244.0
Less: Exchange rate adjustment	(6.8)	(12.6)	(19.4)									
Net income - regular resources	56.7	224.7	281.4	53.4	142.5	195.9	50.9	168.8	219.7	54.7	189.3	244.0
Add: Other resources		141.9	141.9		165.0	165.0		170.0	170.0		180.0	180.0
Net consolidated income	56.7	366.6	423.3	53.4	307.5	360.9	50.9	338.8	389.7	54.7	369.3	424.0
Operating expenses												
Marketing expenses	4.5	8.4	12.9	5.1	10.5	15.6	5.7	10.5	16.2	6.2	11.3	17.5
Support services	10.7	5.0	15.7	10.7	5.2	15.9	11.3	5.6	16.9	12.7	5.9	18.6
Provision for doubtful accounts	1.7	8.5	10.2	0.5	-	0.5	0.5	0.5	1.0	0.5	0.5	1.0
Investment funds	1.5	11.2	12.7	3.4	10.8	14.2	3.3	11.6	14.9	3.4	13.0	16.4
Total operating expenses and investment funds	18.4	33.1	51.5	19.7	26.5	46.2	20.8	28.2	49.0	22.8	30.7	53.5
% to total operating expenses and investment funds	35.7	64.3	100.0	42.6	57.4	100.0	42.4	57.6	100.0	42.6	57.4	100.0

TABLE 2. Summary of expenditures -
2002 approved budget, 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget

(In millions of United States dollars)

	2002 Approved budget a/	2002 Actual	2003 Approved budget b/	2003 Latest estimates c/	2004 Proposed budget	Variance 2004 vs. 2003 Latest estimates $	Variance 2004 vs. 2003 Latest estimates %
MARKETING							
Commissions - field offices	1.5	0.8	1.4	1.1	1.2	0.1	9.1
Cost of goods delivered	28.6	24.4	29.7	30.0	30.5	0.5	1.7
Operating expenses	20.0	26.2	19.7	20.6	22.3	1.7	8.3
Subtotal	50.1	51.4	50.8	51.7	54.0	2.3	4.4
SUPPORT SERVICES							
Operating expenses	17.8	15.7	15.9	16.9	18.6	1.7	10.1
INVESTMENT FUNDS	14.3	12.7	14.2	14.9	16.4	1.5	10.1
TOTAL EXPENDITURES	82.2	79.8	80.9	83.5	89.0	5.5	6.6

a/ In accordance with Executive Board decision 2002/6, paragraph 2, the approved budget reflected is the low projection (column I, table 7 of document E/ICEF/2002/AB/L.3).
b/ As approved by the Executive Board (decision 2003/4, paragraph 2)
c/ In accordance with Executive Board decision 2003/4, paragraph 2 should the proceeds from card and gift sales and/or private sector fund-raising increase to the levels indicated in column III table 7 of document E/ICEF/2003/AB/L.3, expenditures are also allowed to increase to the levels indicated in column III of the same table.

II. Marketing

A. Introduction

14. The Marketing Group is responsible for revenue generation in collaboration with National Committees and other partners from fund-raising, sales and marketing initiatives.

B. Objectives for 2004

15. The objectives for 2004 are to achieve:

(a) Net consolidated income from fund-raising of $369.3 (including $189.3 million for regular resources and $180.0 million for other resources) and $54.7 for sales of cards and gifts;

(b) Net proceeds from PSFR for regular resources of $220.0 million (11.7 per cent higher than the 2003 latest estimates);

(c) Gross proceeds from product sales of $142.0 million (4.4 per cent higher than the 2003 latest estimates) with a card sales volume of 130 million cards (2.4 per cent higher than the 2003 latest estimates).

C. Strategies for 2004

Common strategies for fund-raising and sales

16. **Leverage the global scale of UNICEF**. The global presence of UNICEF is one of its biggest strengths and a source of competitive edge that has not yet been fully exploited. PSD plans to turn the global scale of UNICEF into a competitive edge, focusing on two goals: a) to turn high-potential activities locally developed by various National Committees into international ones in which all National Committees can participate; and b) to lead the development and implementation of fund-raising and sales campaigns on an international or global scale.

17. **Build on the 'unique selling propositions' of UNICEF**. With the growing and intense competition from organizations raising funds and selling cards, it has become imperative to build on the characteristics that make UNICEF the world's champion of children's rights. By expressing this 'unique selling proposition' through a strong advocacy message, PSD can be more effective in its fund-raising and sales activities and make UNICEF the first choice for donors and buyers. Informing donors about where their contributions go at UNICEF and how they support the priorities of the medium-term strategic plan will help increase the competitive edge of UNICEF and provide donors and customers with compelling reasons to give sustained support to the organization.

18. **Create a long-lasting relationship with donors and customers**. UNICEF, through its National Committees and their networks of volunteers, is establishing strong and long-lasting personal relationships with the individual and corporate donors and customers that support the organization each year. PSD with the National Committees will jointly develop fund-raising and sales activities that will increase the loyalty of donors and customers. PSD will also support National Committees in the development of a strategy that will help to reinvigorate and replenish volunteer groups.

19. **Develop corporate business**. Corporations, with their resources and desire to support organizations like UNICEF, are a vital niche in the market and offer great potential for UNICEF. PSD will increase efforts in both fund-raising and sales to target the corporate market and to take a proactive role in the selection and targeting of corporate prospects. As part of this work, PSD and National Committees are jointly developing a Corporate Partnership Strategy covering sponsorships, cause-related marketing and corporate philanthropy. The objective is to reach the ambitious goal of $45.0 million in income from this target group by 2005.

20. **Explore new business models and channels**. PSD aims to create internal capabilities to promote innovation in areas of future growth, including electronic media. These media include the Internet, short message service (SMS) and multimedia message service (MMS). The telephone, the television and the computer all offer converging technologies opening up new business opportunities for fund-raising and sales at both local and global levels.

21. **Create 'one team' with PSD, the Regional Office for Europe and the National Committees**. Recognizing the strong contribution of National Committees, UNICEF aims to create a true 'one team' approach in which all parts work together to achieve common objectives, each part leveraging its know-how and expertise. With the new fund-raising 'think tank', PSD will create synergies between senior fund-raisers in National Committees and PSD. In the area of sales, PSD plans to increase the involvement of National Committees in the creation of the new collection of cards and gifts and in the definition of 'go to market' strategies. The objective is to better meet local needs and ultimately increase sales. Roll-out has begun of an improved reporting system to track fund-raising and sales results while fine-tuning the Marketing Knowledge Centre (MKC), an online tool for optimal cross-sharing of fund-raising and sales tools, concepts and best practices.

22. **Use investment funds to qualify new high-potential opportunities**. Investment funds have proven to be a phenomenal driver of income growth over the past years. To enhance their effectiveness, the funds will be targeted increasingly towards innovative fund-raising and sales initiatives that offer a high return on investment. With this aim, PSD is currently reviewing existing rules and regulations related to the use of these funds.

Private sector fund-raising strategies

23. To drive income growth, PSD will use the following fund-raising strategies: a) focus on the four income-generating 'pillars': pledge income, major gifts, legacies and corporate alliances; b) increase emphasis on training National Committee fund-raisers and facilitate the 'share and compare' process to obtain a wider outreach; c) involve key National Committees and UNICEF fund-raisers in joint strategic thinking and decision-making; d) leverage Internet and other new media fund-raising; and e) increase support to fund-raising by field offices, especially those with potential, including offices in countries in transition. For more details, refer to the business plan in annex III.

Strategies for sales of cards and gifts

24. To drive income growth from the sale of cards and gifts, it is key to emphasize these strategies and focus areas: a) broadening distribution to new channels; b) maximizing the effectiveness of direct mail; c) developing business with retailers and shopping malls; d) developing corporate business; e) offering unique, high-quality products that are superior to those of the competition; f) leveraging the Internet and all relevant new media; g) reinvigorating the relationship with volunteers; and h) developing licensing. For more details, refer to the business plan in annex III.

D. Investment funds

25. PSD will continue to provide partners with funds to support their fund-raising initiatives for UNICEF. These investment funds will be used mainly for the implementation and roll-out of the fund-raising and sales strategies.

26. For 2004, investment funds amounting to $16.4 million are proposed, a figure that is $1.5 million (10.1 per cent) higher than the latest estimates for 2003. The investment funds proposed for 2004 reflect the funding requirements for supporting implementation by National Committees of new fund-raising and sales initiatives which, if successful, could give above-average returns on investment.

Table 3. Marketing expenses for 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget

(In thousands of United States dollars)

Expenditures	2002 Actual	2003 Approved budget	2003 Latest estimates	2004 Proposed budget	Changes 2004 vs. 2003 Latest estimates $	Changes 2004 vs. 2003 Latest estimates %
Commissions - field offices	801	1 386	1 109	1 241	132	11.9
Operating expenses						
International posts	3 803	4 369	4 712	5 151	439	9.3
Local posts	1 825	1 757	2 109	1 931	(178)	(8.4)
Other post-related costs a/	705	271	346	296	(50)	(14.5)
Staff training	63	108	108	194	86	79.6
Other staff costs b/	233	271	517	451	(66)	(12.8)
Consultants	256	251	206	367	161	78.2
Travel	626	915	827	1 026	199	24.1
Other operating expenses c/	297	531	478	460	(18)	(3.8)
Furniture and equipment d/	52	31	74	116	42	56.8
Research and development	2 003	2 892	2 692	3 030	338	12.6
Field office expenses - product sales	3 061	3 589	3 382	3 744	362	10.7
Field office expenses - PSFR	1 955	2 864	2 824	3 226	402	14.2
Regional support centre expenses	1 027	1 383	1 329	1 325	(4)	(0.3)
Provision for doubtful accounts	10 235	500	1 000	1 000	-	-
Subtotal operating expenses	26 141	19 732	20 604	22 317	1 713	8.3
Total expenses	26 942	21 118	21 713	23 558	1 845	8.5

PSFR = private sector fund-raising.

a/ Termination indemnity and reimbursement of taxes.

b/ Short-term assistance, staff welfare and overtime.

c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.

d/ Office equipment, computer equipment and computer software.

E. Analysis of the 2004 proposed budget

27. Net proceeds from PSFR activities for 2004 are projected at $400.0 million, of which $220.0 million are for regular resources and $180.0 million for other resources. This represents an increase of $33.0 million (9.0 per cent) compared with the 2003 latest estimates (see Table 1A).

28. Gross proceeds from card and gift sales for 2004 are projected at $142.0 million, an increase of $6.0 million (4.4 per cent) over the 2003 latest estimates.

29. Sales volume for 2004 is projected at 130 million cards, an increase of 3 million cards (2.4 per cent) over the 2003 latest estimates.

30. Net proceeds from card and gift sales for 2004, after deducting the amounts retained by National Committees, commissions paid to consignees and direct expenses at UNICEF field offices ($42.0 million), are projected at $100.0 million, $4.8 million (5.0 per cent) higher than the 2003 latest estimates.

31. Other income for 2004 is projected at $8.0 million, an increase of $1.5 million (23.1 per cent) over the 2003 latest estimates. This includes royalties from the sale of licensed products, donations generated from brochure and order forms, bank interest and discounts on purchases.

32. Total operating expenses for the Marketing Group in 2004 are projected at $22.3 million (see table 3), an increase of $1.7 million (8.3 per cent) when compared with the 2003 latest estimates. This is due to higher costs for international posts ($0.4 million) resulting from the addition of three posts at headquarters, higher expenses at field offices ($0.8 million) because of nine additional posts and increases in other post-related costs, as well as increased travel ($0.2 million) and use of consultants ($0.2 million), and additional investments in research and development, mainly market research and surveys ($0.3 million), offset by a decrease in costs for local posts ($0.2 million).

III. Support services

A. Introduction

33. The Operations and Finance group provides support to PSD income-generating activities. It includes the Director's Office, Operations Support Services, and Finance and Administration.

B. Objectives for 2004

34. The objectives of the Operations and Finance group are to provide:

(a) Efficient financial, operational and information services to management;

(b) Customer service to partners by delivering goods in a timely, accurate and cost-effective manner;

(c) Support and expertise to JSP and financial management support to Brand Groups in the Joint Planning Process;

(d) Profitability analysis by revenue stream and market, sales channel and fund-raising activity and dissemination to Brand Groups and National Committees;

(e) Improved forecasting and management reporting.

C. Strategies for 2004

35. The strategies to achieve the above objectives are:

(a) Refine the master calendar in its up-front planning cycle in order to decrease the turnaround time between partners and Operations and Finance in production of all materials;

(b) Through improved sales forecasting and inventory management, further reduce the delivery-to-sales ratio and maintain cost of goods at the level commensurate with forecasted sales;

(c) Follow best industry practices to support marketing and sales with enhanced processes during the peak period of September to December;

(d) Ensure that procurement and logistics will support enhanced sourcing in compliance with practices of fair trade and social accountability. Necessary monitoring systems will be instituted to ascertain that UNICEF principles are not compromised;

(e) Strengthen systems support to users by improving data quality and functionalities of control systems through additional dedicated personnel in PSD Geneva;

(f) Institutionalize the new financial reporting package submission by each National Committee;

(g) Enhance further reporting and analysis of use and results of investment funds.

D. Analysis of 2004 proposed budget

36. Total expenses for support services are projected at $18.6 million (see table 4), an increase of $1.7 million (10.3 per cent) over the 2003 latest estimates, primarily due to a larger PSD share in UNICEF common services ($1.2 million), especially in Geneva, where PSD now absorbs 50 per cent of all common costs based on its portion of total number of posts and office space. The rest of the increase ($ 0.5 million) is due to other post-related costs.

Table 4. Support services: expenses for 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget

(In thousands of United States dollars)

Expenditures	2002 Actual	2003 Approved budget	2003 Latest estimates	2004 Proposed budget	Changes 2004 vs. 2003 Latest estimates	
					$	%
International posts	4,005	4,487	4,694	4,784	90	1.9
Local posts	2,532	2,477	2,976	3,069	93	3.1
Other post-related costs a/	1,187	244	275	748	473	172.0
Staff training	7	19	19	-	(19)	(100.0)
Other staff costs b/	99	202	285	129	(156)	(54.7)
Consultants	27	75	74	75	1	1.4
Travel	236	303	296	324	28	9.5
Other operating expenses c/	7,234	7,376	7,500	8,740	1,240	16.5
Furniture and equipment d/	46	134	187	155	(32)	(17.1)
Regional support centre expenses	326	535	549	574	25	4.6
Total expenses	15,699	15,852	16,855	18,598	1,743	10.3

a/ Termination indemnity and reimbursement of taxes.

b/ Short-term assistance, staff welfare and overtime.

c/ Contractual services, rental and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.

d/ Office equipment, computer equipment, computer software and plant equipment.

IV. Regional support centres and UNICEF field offices

37. **Outlook for 2003**. Gross proceeds generated by UNICEF field offices from PSD activities in 2003 are projected at $23.6 million, with costs estimated at $10.5 million (excluding investment funds), resulting in a net operating income (excluding investment funds) of $13.1 million.

38. **The objectives for 2004** are to achieve:

(a) Total operating income of $15.6 million, (i.e., 19 per cent higher than the latest estimates for 2003, excluding investment funds).

(b) Net operating income from fund-raising of $12.7 million and $3.5 million from sales of cards and gifts (excluding investment funds).

(c) Net proceeds from PSFR of $16.5 million.

(d) Gross proceeds from product sales of $10.5 million (i.e., 10.9 per cent higher than the latest estimates for 2003), with a card sales volume of 14.2 million cards (i.e., 6.8 per cent higher than the latest estimates for 2003).

Strategies for 2004

39. The strategies to achieve the above objectives are:

(a) To support donor acquisition, emphasizing pledge/committed giving and to identify and support regional strategies in the development of new distribution channels for card and gift sales, emphasizing sales to the corporate sector;

(b) To work with staff at the regional and field offices to increase the visibility of UNICEF in-country and strengthen the brand through advertising, public relations, high profile fund-raising/sales activities and celebrities;

(c) To strengthen knowledge of PSD staff in high-priority areas through training, workshops, exchange of best practice and coaching for staff at regional support centres;

(d) In line with UNICEF global strategies, to provide strategic direction, assistance and hands-on support to country offices in implementing the PSD plans and maximizing net income;

(e) To strengthen current, and exploit new, fund-raising and sales business opportunities to ensure the long-term sustainability of country office programmes in existing and emerging markets.

A. Analysis of 2004 proposed budget

40. For 2004, UNICEF field offices are projected to generate $27.0 million in gross proceeds, an increase of $3.5 million (14.7 per cent) over the 2003 latest estimates (see table 5). This increase is attributable primarily to higher proceeds from PSFR ($2.4 million) due to the expansion of fund-raising activities in Latin America, Asia and especially the Gulf area, as well as higher proceeds from sales ($1.1 million) in the traditional key markets of Latin America and Asia.

41. Total operating expenses for UNICEF field offices and PSD regional support centres in 2004 are projected at $8.9 million, an increase of $0.8 million, or 9.7 per

cent, over the 2003 latest estimates. This is due to the addition of nine posts ($0.7 million), other increased post-related costs ($0.2 million) and several higher operating costs ($0.1 million), such as travel, staff training and consultants. These costs are offset by a decrease in other staff costs ($0.2 million) such as short-term assistance now replaced by newly established regular posts. Investment funds to support fund-raising activities in field offices are projected at $2.8 million, $0.9 million higher than the 2003 latest estimate. This increase is proposed to better leverage fund-raising opportunities in high-potential markets.

42. For 2004, the net operating income from UNICEF field offices from both sales and PSFR activities (excluding investment funds) is projected at $15.6 million, an increase of $2.5 million over the 2003 latest estimates due to higher fund-raising (by $2.0 million) and sales (by $0.5 million) income.

Table 5. Regional support centres and UNICEF field offices :
income and expenditures for 2002 actual, 2003 approved budget, 2003 latest estimates and 2004 proposed budget

(In thousands of United States dollars)

	2002	2003 Approved	2003 Latest estimates				2004 Proposed budget				Changes 2004 vs. 2003 Latest estimates	
	Actual	budget	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	$	%
Volume of card sales (in millions)	11.6	15.5	13.3	-	-	13.3	14.2	-	-	14.2	0.9	6.8
Gross proceeds (RR + OR)	21,010	28,601	9,591	14,071		23,572	10,537	16,503		27,040	3,468	14.7
Less: Commissions paid to consignees	801	1,386	1,109			1,109	1,241			1,241	132	11.9
Net proceeds	20,209	25,215	8,392	14,071	-	22,463	9,296	16,503	-	25,799	3,336	14.9
Costs of goods delivered	1,537	2,069	1,333			1,333	1,402			1,402	69	5.2
Operating expenses:												
International posts	782	1,213	395	335	354	1,084	477	498	372	1,347	263	24.3
Local posts	1,823	2,300	1,224	987	52	2,263	1,525	1,138	55	2,718	455	20.1
Other post related costs a/	39	1	1			1	246			246	245	24,500.0
Staff training	45	119	29	46	43	118	36	61	43	140	22	18.6
Other staff costs b/	988	1,173	642	329	8	979	385	334	7	726	(253)	(25.8)
Consultants	20	100	73	13		86	83	19		102	16	18.6
Travel	271	338	145	159	40	344	177	185	41	403	59	17.2
Other operating expenses c/	1,697	2,013	1,220	844	45	2,109	1,225	801	47	2,073	(36)	(1.7)
Furniture and equipment d/	87	99	63	32	7	102	55	27	9	91	(11)	(10.8)
Research and development	845	1,015	355	643		998	283	760		1,023	25	2.5
Total operating expenses	6,367	8,371	4,147	3,388	549	8,084	4,472	3,823	574	8,869	785	9.7
Other income	580 e/	175	43	-	-	43	47	-	-	47	4	9.3
Net operating income before FDP	12,885	14,950	2,955	10,683	(549)	13,089	3,469	12,680	(574)	15,575	2,486	19.0
Percentage of gross proceeds	61	56	31	76		56	33	77		58		
Less: FDP	772	2,046	-	1,883	-	1,883	-	2,793	-	2,793	910	48.3
Net operating income after FDP	12,113	12,904	2,955	8,800	(549)	11,206	3,469	9,887	(574)	12,782	1,576	14.1
Percentage of gross proceeds	58	49	31	63		48	33	60		47		
Summary of expenditures:												
Commissions	801	1,386	1,109	-	-	1,109	1,241	-	-	1,241	132	11.9
Cost of goods delivered	1,537	2,069	1,333	-	-	1,333	1,402	-	-	1,402	69	5.2
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	6,367	8,371	4,147	3,388	549	8,084	4,472	3,823	574	8,869	785	9.7

PSFR = private sector fund-raising; O&F = operations and finance; C&P sales = card and gift sales;
RR = regular resources; OR = other resources; FDP = Fund-raising Development Programme.

a/ Termination indemnity.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality, information support services and miscellaneous services.
d/ Office equipment, computer equipment and computer software.
e/ Includes the recoupment of expenses of $335,000.

V. Medium-term plan, 2005-2008

43. Table 6 presents the medium-term plan for PSD for the period 2005-2008. The plan is based on market trends, the previous years' financial results, and strategic plans developed and implemented in cooperation with National Committees and UNICEF field offices in PSD priority countries.

44. PSD objectives, as per the medium-term plan, are to achieve by 2008:

(a) Net consolidated income for UNICEF from the private sector of $560.0 million, comprising $350.0 million for regular resources and $210.0 million for other resources;

(b) Net operating income from PSFR of $297.0 million for regular resources;

(c) Net operating income from PSFR of $210.0 million for other resources;

(d) Net operating income from sales of cards and gifts of $80.0 million for regular resources;

(e) Gross proceeds from card and gift sales of $170.0 million;

(f) Card sales volume of $140.0 million.

Table 6. PSD medium-term plan:
2002 actual, 2003 approved budget, 2003 latest estimates, 2004 proposed budget and 2005-2008 projections

(In millions of United States dollars)

	2002 Actual a/	2003 Approved Budget a/	2003 Latest estimates	2004 Proposed	2005	2006	2007	2008
					Medium-term projections			
Gross proceeds - card and product sales	125.9	134.0	136.0	142.0	149.0	155.0	162.0	170.0
Less: Retention/commissions and direct expenses at field offices	38.7	38.2	40.8	42.0	43.5	45.5	47.0	49.0
Net proceeds - product sales	87.2	95.8	95.2	100.0	105.5	109.5	115.0	121.0
Less: Cost of goods delivered	24.4	29.7	30.0	30.5	31.5	32.5	34.0	35.5
Operating expenses	20.3	21.0	22.7	24.8	26.0	27.0	28.0	29.0
Provision for doubtful accounts	10.2	0.5	1.0	1.0	1.0	1.0	1.0	1.5
Add: Other income	5.5	7.0	6.5	8.0	10.0	13.0	14.0	15.0
Net operating income - PSD card and product sales	37.8	51.6	48.0	51.7	57.0	62.0	66.0	70.0
Net operating income - Private sector fund-raising	236.9 b/	158.5	186.6	208.7	250.0	270.0	283.0	298.0
Less: Investment funds	12.7	14.2	14.9	16.4	17.0	18.0	18.0	18.0
Net operating income	262.0	195.9	219.7	244.0	290.0	314.0	331.0	350.0
Less: Exchange rate adjustment	(19.4)							
Net income - regular resources	281.4	195.9	219.7	244.0	290.0	314.0	331.0	350.0
Add: PSFR other resources	141.9	165.0	170.0	180.0	210.0	210.0	210.0	210.0
Net consolidated income	423.3	360.9	389.7	424.0	500.0	524.0	541.0	560.0
Card sales volume (millions)	*114*	*134*	*127*	*130*	*133*	*136*	*138*	*140*

PSFR = private sector fund-raising

a/ As approved by the Executive Board (decision 2003/4, para 2)
b/ The 2002 actual 'net operating income-private sector fund-raising' includes $56.2 M of Gaffe legacy.

TABLE 7. Range of budgeted income and expenditures for the fiscal year 1 January - 31 December 2004

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	139.0	142.0	145.0
Deduct National Committees' retention a/	36.6	37.0	38.0
Net proceeds	102.4	105.0	107.0
Add: Other income - net (table 1A)	7.8	8.0	8.5
Net proceeds - product sales	110.2	113.0	115.5
Private sector fund-raising - regular resources (table 1A)	215.0	220.0	227.0
Total net proceeds - regular resources	325.2	333.0	342.5
Budgeted expenditures			
Commissions - field offices	1.0	1.2	1.4
Cost of goods delivered	29.4	30.5	31.3
Marketing expenditures	21.7	22.3	29.2
Support services	18.0	18.6	19.3
Investment funds	16.4	16.4	17.3
Total expenditures - consolidated (table 2)	86.5	89.0	92.5
Net consolidated income - regular resources (table 1)	238.7	244.0	250.0
Add: Other resources - private sector fund-raising (table 1)	175.0	180.0	185.0
Net consolidated income - regular resources and other resources	413.7	424.0	435.0

a/ Excludes field office commissions - budgeted in expenditures

VI. Draft resolutions

45. The draft resolutions for Executive Board approval relating to the PSD budget for 2004 are presented below.

A. Private Sector Division budgeted expenditures for the 2004 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2004 budgeted expenditures of $89.0 million as detailed below and summarized in column II of table 7 to document E/ICEF/2004/AB/L.1:

	(In millions of United States dollars)
Commissions — field offices	1.2
Cost of goods delivered	30.5
Marketing expenditures	22.3
Support services	18.6
Investment funds	16.4
Total expenditures, consolidated	**89.0**

2. *Authorizes* the Executive Director:

(a) To incur expenditures as summarized in column II of table 7 to document E/ICEF/2004/AB/L.1 and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from card and gift sales and/or PSFR increase to the levels indicated in column III, and accordingly, to reduce expenditures below the level indicated in column II to the extent necessary, should the net proceeds decrease;

(b) To re-deploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2004 approved work plan.

B. Budgeted income for the 2004 season

The Executive Board

Notes that for the period 1 January to 31 December 2004, PSD net proceeds are budgeted at $333.0 million (regular resources) as shown in column II of table 7 to document E/ICEF/2004/AB/L.1.

C. Policy issues

The Executive Board

1. *Renews* investment funds with $16.4 million established for 2004;

2. *Authorizes* the Executive Director to incur expenditures in the 2004 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2005 fiscal year up to $31.0 million as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/2004/AB/L.1).

D. Medium-term plan

The Executive Board

Approves the PSD medium-term plan as reflected in table 6 to document E/ICEF/2004/AB/L.1.

Annex I

PRIVATE SECTOR DIVISION: SUMMARY OF POST CHANGES PROPOSED FOR 2004

Detail	Posts level							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 2003	1	4	9	19	29	13	0	75	19	99	193
Establish and abolish											
Marketing			1		2			3			3
Support services			-1	-1	2						
RSCs and UNICEF field offices					1	-1		0		9	9
Total change, PSD	0	0	0	-1	5	-1	0	3	0	9	12
Reclassifications, PSD											
Marketing				1		-1		0			0
Support services				2	-2			0			0
Total reclassification, PSD	0	0	0	3	-2	-1	0	0	0	0	0
Total changes and reclassification,	0	0	0	2	3	-2	0	3	0	9	12
Total, Proposed 2004	1	4	9	21	32	11	0	78	19	108	205

IP = international Professional; NO = national officer; GS = General Service;
PAT = post authorization table; RSCs = regional support centres.

Annex II

PRIVATE SECTOR DIVISION
COMPARISON OF POSTS:
2003 APPROVED BUDGET VERSUS 2004 PROPOSED BUDGET

	Posts level							Total			Grand
	D2	D1	P5	P4	P3	P2	P1	IP	NO	GS	total
Marketing											
Approved 2003		3	3	10	13	4		33		21	54
Proposed 2004		3	4	11	15	3		36		21	57
Change	0	0	1	1	2	-1	0	3	0	0	3
Support Services											
Approved 2003	1	1	4	6	15	5		32		37	69
Proposed 2004	1	1	3	7	15	5		32		37	69
Change	0	0	-1	1	0	0	0	0	0	0	0
Total, PSD headquarters											
Approved 2003	1	4	7	16	28	9	0	65	0	58	123
Proposed 2004	1	4	7	18	30	8	0	68	0	58	126
Change	0	0	0	2	2	-1	0	3	0	0	3
RSCs and UNICEF field offices											
Approved 2003			2	3	1	4		10	19	41	70
Proposed 2004			2	3	2	3		10	19	50	79
Change	0	0	0	0	1	-1	0	0	0	9	9
Total, PSD headquarters, RSCs and UNICEF field offices											
Approved 2003	1	4	9	19	29	13	0	75	19	99	193
Proposed 2004	1	4	9	21	32	11	0	78	19	108	205
Change	0	0	0	2	3	-2	0	3	0	9	12

IP = international Professional; NO = national officer; GS = General Service;
ROs = regional offices; RSCs = regional support centres.

Annex III

Private sector division business plan, 2004-2006

1. The Executive Board, at its first regular session of 2002, requested PSD to submit, as part of its work plan and budget proposal for 2003, a comprehensive three-year business plan to be updated annually (E/ICEF/2002/8.Rev.1, decision 2002/6).

I. Introduction

2. This business plan is the first update to the plan that was presented to the Executive Board in January 2003. It is based on a series of strategic reviews that took place within PSD during work plan and budget preparations. Strategies and projections have been fine-tuned in the context of the JSP process, in consultation with National Committees. The business plan is based on:

(a) **Millennium Development Goals**. With six of the eight goals directly, and the remaining two indirectly, related to children, the Millennium Development Goals are closely tied to the core business of UNICEF;

(b) The **medium-term strategic plan (MTSP)**, which determines the overall organizational and strategic priorities of UNICEF and stipulates the medium-term funding requirements. As such, the MTSP guides PSD and National Committee fund-raising activities in terms of financial targets, investment priorities, advocacy support and brand development-related communications with the general public and institutional, private sector donors;

(c) The **new brand model for UNICEF** that was launched in 2003. It defines the vision, positioning, values and essence of UNICEF. It provides the framework for the relationship between the brand properties, the MTSP, communication and the resource mobilization strategies;

(d) The strengthened **JSP process**. JSP provides an assessment and forward-looking action plan for each National Committee in terms of income generation, leadership, advocacy, management of financial contributions and communications. For income generation through sales and fund-raising, the JSP provides insight into the strengths of each National Committee relative to the state of the market and business development. The process then identifies and assesses specific areas for revenue growth/building under different assumptions related to the external environment, and available human and financial resources;

(e) The **global PFSR strategy** will be in its second year of progressive implementation, driven by JSPs of selected National Committees, extensive training and a 'share and compare' process aimed at improving best practices among National Committees and a more compatible use of investment funds linked to strategic priorities. The strategy continues to focus on best industry practices related to donor recruitment and successive upgrading, with the objective of maximizing donor 'life-time value'. The strategy addresses the global donor community within the private sector, including individual donors, corporations and institutional partners;

(f) The **global marketing and sales strategy** recognizes the role of UNICEF cards and gifts as an effective tool to establish a relationship with individuals and corporations who could later be converted into donors. In this sense, card and gift activities complement fund-raising activities and can drive important synergies among buyers and donors. The main focus will be on boosting the volume of sales and proceeds from cards and gifts by broadening their distribution base via customized products to better target the high-potential corporate market.

II. Income targets for 2005 and 2006

3. The PSD objective is to raise $500.0 million in net consolidated income in 2005 (18 per cent higher than that for 2004), comprising $290.0 million for regular resources and $210.0 million for other resources. The biggest contribution will come from fund-raising, with $435.0 million (18 per cent higher than the projected 2004 figure), while the sale of greeting cards and gifts is expected to bring $65.0 million (19 per cent higher than the projected 2004 figure).

4. By 2006, the PSD target is to deliver $524.0 million in net consolidated income (5 per cent higher than that for 2005), comprising $314.0 million for regular resources and $210.0 million for other resources. Fund-raising will generate $463.0 million (6 per cent higher than the projected 2005 figure) and sales will bring $69.0 million (6 per cent higher than 2005 projections).

5. The targets for 2005/2006 are considered achievable based on the strategies presented below. The encouraging results of 2002 and year-to-date results for 2003 inspire ample confidence in the financial projections and chosen strategic direction.

III. Private sector fund-raising

A. Introduction

6. The global fund-raising strategy adopted by National Committees at their annual meeting in May 2003 provides guidance for the future. The primary goal of the PSFR strategy is to raise $435.0 million in net income by 2005, and the latest estimate for 2003 indicates that this goal is well within reach.

7. Efforts will go into benchmarking, training, sharing and comparing, focusing on the four income-generating 'pillars' of pledge-giving, major gifts, legacies and corporate alliances. The new fund-raising 'think tank', comprising fund-raising directors from UNICEF and its major markets, will assume responsibility for monitoring and pushing the strategy for implementation through the JSP process and more tactical campaign planning and prioritization in annual work plans.

8. Recognizing the emerging potential in various field-office markets, PSD will develop a comprehensive fund-raising strategy for field offices to increase the proportion of private sector proceeds that they raise (currently $14.0 million, or 4 per cent of the total PSFR net proceeds. The strategy will also cover countries in transition.

9. PSD, through its International Corporate Alliances section, will continue proactively to search for and develop global/cross-border alliances with companies

of choice. A strategy will also be developed for direct involvement by PSD in cross-border/global fund-raising that targets private individuals, be it through new interactive media such as the Internet, interactive television and SMS or international media networks such as CNN and STAR Television in Asia. As a global brand, UNICEF can 'skim' a global marketplace while respecting revenue-sharing principles among participating National Committees.

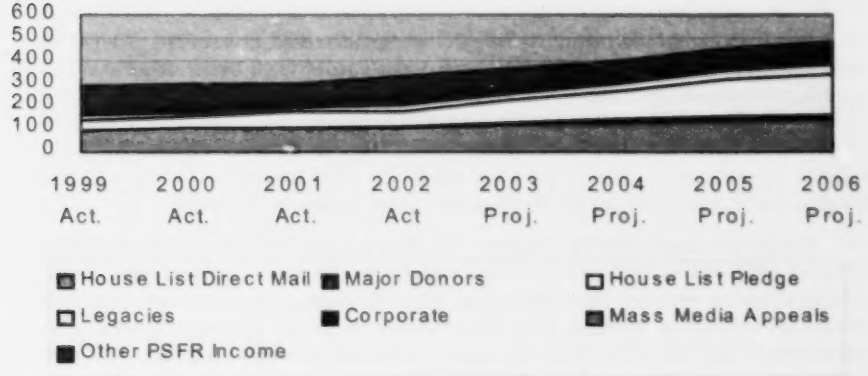
10. The table below shows the total net proceeds for 1999-2002 (actual) and 2003-2006 (projected by source). The latter targets are operational and typically exceed the financial commitments in the 2004 work plan and 2005-2008 medium-term plan.

PSFR Total Net Proceeds
1999-2002 (Actual) and 2003-2006 (Projected)
(In millions of United States dollars)

	1999 Act.	2000 Act.	2001 Act.	2002 Act.	2003 Proj.	2004 Proj.	2005 Proj.	2006 Proj.
House List Direct Mail	95	102	101	99	118	128	135	140
Major Donors	1	1	3	9	11	12	18	20
House List Pledge	42	53	71	72	99	120	158	175
Legacies	20	15	21	20	29	36	45	47
Corporate	14	15	18	34	26	32	45	47
Mass Media Appeals	17	6	6	4	11	12	14	15
Other PSFR Income	98	102	77	92	73	60	45	36
TOTAL	287	294	297	330	367	400	460	480

PSFR = private sector fund-raising.
Source: Cash Accounting Report data for key markets and extrapolation.
Totals for 2001 and 2002 exclude Gaffé legacy.

PSFR Total Net Proceeds
1999-2002 (Actual) and 2003-2006 (Projected)
(In millions of United States dollars)



B. Fund-raising strategies

11. The above-mentioned targets will be reached by implementing the strategies described below.

12. **Direct mail**. Direct mail is the foremost method used by UNICEF to raise funds from individual donors generating small one-off donations. Approximately 32 per cent ($118.0 million) of the fund-raising proceeds in 2003 were raised through direct mail appeals sent to more than 6 million donors. This technique will remain an important contributor, growing to $140.0 million (29 per cent) by 2006. The anticipated growth will be achieved by enhancement of UNICEF donor performance, including by reduced attrition, even though acquisition will remain a key factor.

13. **Pledge donors' recruitment.** Asking for monthly committed gifts by automatic funds transfer (such as Direct Debit) is receiving increasing investment focus, both by National Committees and from PSD, as it represents the biggest source of revenue growth. In pledge share of income, UNICEF is far behind some industry leaders and child sponsorship agencies. Pledge donors currently generate approximately $99.0 million, or 27 per cent of PSFR proceeds, and are projected to increase by more than 50 per cent by 2006, generating $175.0 million, or 36 per cent of the total income. New recruitment methods include face-to-face fund-raising in city centres (now practised by more than 10 National Committees) and through so-called telethons (television). New creative initiatives will help UNICEF develop more attractive and competitive offers for donors. Noteworthy in this respect is The Global Parent concept developed by the Australian National Committee, which has also been adopted by the National Committees of Canada, Ireland and Norway, with initial success.

14. **Major gifts**. With the ongoing shift in wealth from institutions to individuals, major gifts represent an important growth area to PSFR income. Currently, 3 per cent ($11.0 million) of proceeds come from major gifts given by private individuals. Only two National Committees (the United States and the United Kingdom) have a fully developed and properly staffed major gifts programme in operation. By 2006, given the market's overall potential, focused investment and training will help to increase this revenue source to 4 per cent of the total PSFR proceeds ($20.0 million). A Gift Clinic in 2003 targeted the increasing number of National Committees' major gift fund-raisers.

15. **Legacies**. The fund-raising strategy calls for increased investment in legacies in key National Committee markets where opportunities have been identified. The implementation of this strategy is expected to grow legacy income to a projected $47.0 million, or 10 per cent of the total PSFR income, by 2006. The 2003 Gift clinic, as well as targeted investments of UNICEF and National Committees, will support its realization. The 10 per cent target for 2006 is well below the industry average and therefore leaves ample room for future growth in this area.

16. **Corporate fund-raising**. Capacity building among National Committees and selected field offices will remain a high priority in the pursuit of successful fund-raising alliances with the corporate sector. PSD, through its International Corporate Alliances section, is working with key markets to grow existing national-level relationships into more lucrative regional or global partnerships. Together with new global initiatives, for example those in the media and entertainment sectors,

corporate fund-raising is projected to increase from $26.0 million in 2003 (7 per cent of the total income) to $47.0 million in 2006 (10 per cent of the total).

17. **Mass media appeals**. Mass media appeals made through print and broadcast venues complement direct mail, particularly in emergency fund-raising. The estimated figure for such funds raised in 2003 is $11.0 million, or 3 per cent of PSFR income, a sum largely attributable to the Iraq emergency in 2003. While it is not possible to 'plan' for media-driven emergencies, PSD projects that $15.0 million will be raised by 2006 through the maintaining of a high level of preparedness for global outreach.

18. **Other private sector fund-raising income**. This category comprises income that has not been allocated to the other main fund-raising proceeds categories defined above. In 2002, it amounted to $92.0 million (28 per cent of PSFR proceeds). Currently, PSD is not able to analyse what is contributed by National Committees under this heading. With the introduction of the new reporting package (see below) allowing for a more accurate allocation of income to the appropriate income sources, the share of "other private sector fund-raising income" should drop substantially by 2006.

19. **Reporting**. The new reporting mechanism (Cash Accounting Report in revised format with agreed definitions and glossary) will allow PSD, as of the PSD 2003 fiscal closure, to closely track progress by revenue source and start to benchmark performance across the Division in a consistent manner.

IV. Marketing and sales overview

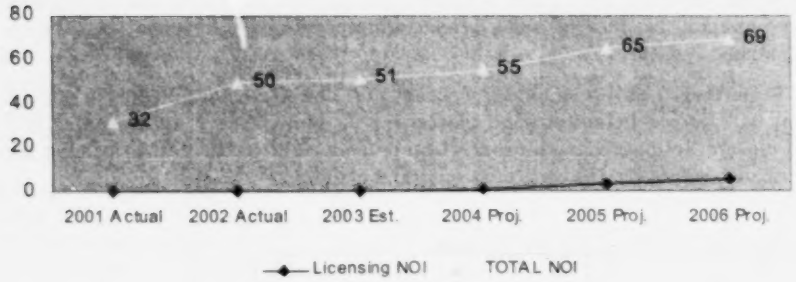
A. Introduction

20. The global marketing and sales strategy provides guidance for the future development of the greeting cards and gift business of National Committees. PSD's target is to generate $69.0 million net operating income by 2006, with $155.0 million gross proceeds and 136.0 million cards sold. This translates into an average growth of 6 per cent in gross proceeds, 10 per cent in net operating income and 2 per cent in cards sales volume.

21. As shown in the table and graph below, in 2006 the sale of greeting cards is expected to continue to represent the main source of gross proceeds, at $124.0 million (80 per cent of total gross proceeds), followed by gifts, expected to deliver $31.0 million gross proceeds (20 per cent of total gross proceeds). Licensing, estimated at $5.7 million by 2006, will also start to contribute to the overall mix, bringing the total net operating income from cards and gifts to $69.0 million.

CARDS AND GIFTS — BUSINESS PLAN 2004-2006						
	2001 ACTUAL	2002 ACTUAL	2003 ESTIMATE	2004 GOAL	2005 GOAL	2006 GOAL
CARDS VOLUME (millions)	125	114	127	130	133	136
(In millions of United States dollars)						
TOTAL GROSS PROCEEDS	101	125.9	136	142	149	155
CARDS GROSS PROCEEDS	85	105.9	114	117	119	124
GIFTS GROSS PROCEEDS	16	20	22	25	30	31
LICENSING NET OPERATING INCOME	0	0	0	0.5	3	5.7
TOTAL NET OPERATING INCOME	32	50	51	55	65	69

Total Net Operating Income (NOI)
2001-2002 Actual and 2003-2006 Projected
(In millions of United States dollars)



22. The above goals are considered achievable because there is still untapped business potential behind UNICEF greeting cards and products if the many strengths of UNICEF are leveraged. The UNICEF brand image is strong across the globe, its cards and products are perceived to be of top quality, and their pricing is appropriate, given the organization's superior image. In sum, the fundamentals of the business are strong. Moreover, the organization's share of the market is below 1 per cent in most countries, so there is vast room for growth.

23. To achieve the goals set forth, it is necessary to focus on the key priorities identified in the global marketing and sales strategy and to significantly develop PSD and National Committee internal processes, organizational culture and skills profile accordingly.

B. Marketing and sales strategies

24. PSD and the National Committees will follow these key strategies described below.

25. **Broaden distribution of cards and gifts**. Only by better matching the organization's distribution profile with the market, particularly the for-profit segment, can UNICEF stop the volume decline in greeting cards sales and restore a healthy growth. Currently, cards and gifts are sold mainly through direct mail, a channel that represents on average no more than 25 per cent of the total market. As a

result, UNICEF is not actively competing in those channels representing about 75 per cent of the market. The plan is to significantly expand and consolidate the UNICEF presence in important channels such as department stores, retailers, post offices, banks and shopping malls. Early steps in this direction have provided encouraging results.

26. **Maximize effectiveness of 'direct to consumer sales'**. Currently, this segment is the main source of sales for UNICEF. The challenge is to increase response rates and average order value through a better product mix of higher-priced gift products, improved targeting techniques and database behavioural analysis, supported by prompting techniques such as tele-marketing. The plan is to increase synergies between sales and fund-raising activities, creating database links and increasing mailings to the top buyers and donors. 'Best in class' practices are being identified among National Committees, and the cross-fertilization of these practices is being facilitated.

27. **Develop business relations with retailers and shopping malls**. In several markets, this channel represents the greatest opportunity for sales growth. Retailers and shopping malls attract millions of people and are suitable partners for distribution expansion and brand development, providing that profitable (net) margins are achieved. Pier One and Ikea are strong role models for further geographic and international expansion. Over the next several years, the aim is to establish several additional partnerships with international retailers, allowing easy roll-out in various countries, with minimum effort and resources required at the local level.

28. **Develop corporate customers**. Corporate greeting cards represent the most profitable part of the greeting card market, responsible for about 44 per cent of UNICEF card income. Often, these card sales serve as a point of entry for more profitable fund-raising initiatives later. Recent market research suggest that the UNICEF share of the corporate market is well below potential. The target is to achieve 55 per cent of total cards income by 2005. PSD's recently launched 'customized design service', enthusiastically received by the market, will be enhanced with more options, greater flexibility and improved turn-around times in 2004 and 2005. This initiative will also be strengthened by the National Committees' investment in dedicated key account managers equipped with training and 'best in class' practices.

29. **Attract consumers with unique cards and gifts year round**. While UNICEF is considered a benchmark in terms of quality, the organization is facing increasing competition from other United Nations agencies, non-governmental organizations and private companies. To help ensure that the competitive edge of UNICEF will continue, the following measures will be taken:

(a) **Ensure that UNICEF cards and gifts are unique.** A selection of designs for cards and gifts will be made that reflects the essence of the UNICEF brand, that is, the world of children and the multi-cultural and multi-ethnic character of UNICEF. In addition, high quality-card and gift materials will be used.

(b) **Increase the UNICEF offer of gifts**. Results from recent tests in the United States and Japan suggest that including higher-priced gift items in the UNICEF collection helps to increase order value and total revenue. Children's

books, toys, educational games, clothes and stationery are categories that fit well with the UNICEF brand and represent a natural direction for future development.

(c) **Continue to develop year-round sales**. Currently, more than 80 per cent of UNICEF sales revenues are generated during the Christmas period, while for the industry at large the figure is only 40 to 50 per cent. Hence, there is a huge potential for UNICEF to be present year round, provided that the distribution base is expanded. In 2004, PSD will launch the Permanent Collection (of cards and gifts) tailored to different seasonal campaigns such as a spring or summer catalogue, to newer channels such as Internet sales and special event offers such as that for Mother's Day. The collection will also cover a broad range of price points to meet the needs of different buyers with varying spending patterns. For perspective, a pilot test in the United States and Japan in spring 2003 helped increase revenues by more than 30 per cent compared with 2002.

30. **Leverage possibilities through the Internet to attract young consumers and develop corporate business**. With its increased penetration into millions of households, the Internet has become a high-potential distribution channel for UNICEF, especially to reach young customers. Additionally, the Internet allows UNICEF to open shop and drive sales year round. The Internet has become a key business tool in the corporate world and is an important channel to develop the organization's corporate business. Thanks to excellent development work done at the National Committee level, all key Committees are making Internet sales, showing improved results for 2003. With the UNICEF Division of Communication, PSD is developing a strategy that maximizes synergies between the main UNICEF web site and local sites, thus enhancing outreach to consumer and corporate customers.

31. **Leverage the outreach capabilities of volunteers to build personal relationships with buyers and donors**. Some of the larger National Committees rely heavily on this channel, which will be further expanded. PSD will assist National Committee partners in providing volunteers with training and motivational sessions to increase their skills and efficiency. To help the work of volunteers and improve the profitability of this channel, emphasis will be placed on improved stock-control through, for example, computer linkages at the volunteer level.

32. **Develop licensing**. A recent study showed that licensing is a high-potential source of income and visibility for UNICEF. Several companies have contacted PSD each year with licensing proposals. In 2004 a licensing strategy will be developed, with implementation taking place in 2005.

C. Organization and Processes

33. To execute the above strategies, it is important to have the right organizational set-up, competencies and work processes in place.

34. PSD and National Committees have to become more market-oriented. To enhance knowledge of the market and the competitive environment, a process of tracking competitive activity is being set up. The plan is also to use market research more extensively to underpin product development and distribution-expansion initiatives.

35. Finally, PSD will provide National Committees with coaching and training of staff to help them acquire skills needed to engage professionally with new business channels such as those in retail and new media.

V. Strategic emphasis for Operations and Finance

A. Operation Support Services (OSS)

36. The strategies for OSS are designed to fully support the needs of fund-raising and sales. They will enable OSS to react rapidly and cost-effectively to respond to the needs of partners as well as to new market opportunities. All procurement, logistics, production and warehousing functions are controlled and guided progressively by the Operations Support Sections (OSS) in Geneva and New York under the Geneva functional leadership. In support of the sales strategies, OSS will focus on the following areas:

37. **Broaden distribution of cards and gifts**. In support of the strategy to extend the UNICEF brand to more partners and a larger customer base, OSS will:

(a) Adapt the distribution of cards and gifts to the projected increased needs. To achieve this efficiently and economically, PSD is introducing automated ordering and status reporting and is increasing the amount of direct shipments to key partners and the tracking of goods in transit;

(b) Shorten the supply chain to reduce time to market. This entails a review of forecasting techniques and reorder levels with suppliers;

(c) Rapidly furnish product information digitally to partners to facilitate the adaptation of product offers.

38. **Customized business cards**. To support the sale of customized business cards, the OSS section will:

(a) Ensure flexibility by enlisting suppliers (up front) and maintaining raw material inventories to react to market needs at short notice;

(b) Establish proper logistics support to ensure timely production and speedy delivery to the market.

39. **Offer unique cards and gifts all year round**. Towards this goal, PSD will take the following step to improve efficiency:

(a) Increase the supplier base for both industrially produced and multicultural, multi-ethnic handcrafted products;

(b) Seek suppliers in emerging markets to reduce time to market, without compromising margins;

(c) Identify potential global vendors that could supply UNICEF with a wide range of gift products in order to reduce the time to market and improve responsiveness and support to partners;

(d) Work increasingly with third-party suppliers of inspection services in two very important areas – pre-vendor (manufacturing site) qualifications and the final random inspections of individual products.

B. Finance and Administration

40. The Finance and Administration section will support new PSD initiatives through establishment of clear accountabilities and more efficient processes and procedures. Monitoring and oversight of financial reporting and remittances from National Committees will be enhanced and financial management support will be provided to Brand Groups in the JSP process. The services of the business analysis unit will be expanded to support profitability and the making of sound business decisions. The goal is also to further streamline, harmonize and strategize the budgeting process to improve target-setting and monitoring.

41. Regarding the increased emphasis on resource mobilization by field offices, PSD will ensure that appropriate procedures are in place and strengthened. Efficient coordination between PSD and regional offices exists for monitoring country office activities. Stabilization and coordination of systems, procedures and guidelines for global application will require additional resources and efforts over the planning period.

C. Information Technology

42. PSD is heavily reliant upon proper-functioning IT systems and trained personnel to perform and support its core functions of supply-chain management, including inventory management and recording and monitoring of income. The primary system supporting these functions is the UNICEF Financial and Logistics System (FLS) based on the SAP system. Along with the Division of Finance and Administration Management and Supply Division, PSD upgraded to the R/3 4.7 version of SAP in the third quarter of 2003.

43. PSD operates in an environment where methods of operation are constantly evolving. PSD and its IT systems must be ready at all times to support change. To strengthen this readiness, PSD Geneva has added two professional business analyst posts for FLS. With this added support close to the users, PSD will be in the position to carry out advanced user training and introduce required enhancements to processes and planning modules. The current costing system will be enhanced and common processes with the Supply Division will be identified and harmonized.